

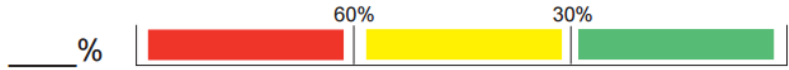


Solvency Measures

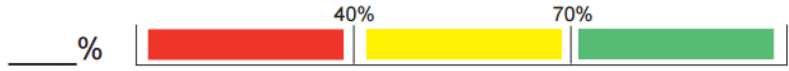
Ratios measuring overall financial risk – comparing farm assets & debts. From the balance sheet, these include:

Solvency

4. Farm debt-to-asset ratio



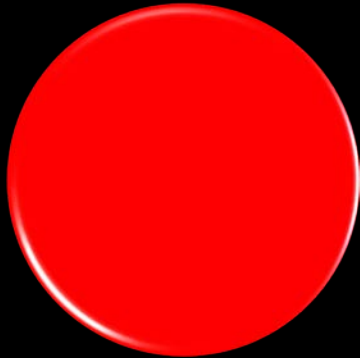
5. Farm equity-to-asset ratio



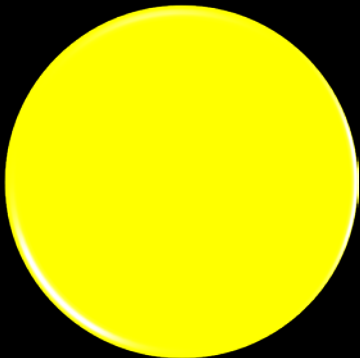
6. Farm debt-to-equity ratio



Below are tips you can consider as you evaluate the solvency position of your operation.



- Increase Farm Profitability.
- Minimize Family Living Costs – Increase Off-Farm Income.
- Forego Asset Purchases Financed with Debt.
- Sell Unneeded Assets & Use Funds to Reduce Debt.



- Reinvest Profits Back Into the Farm Operation.
- Minimize New Farm Debt.
- Sell Unneeded Capital Assets & Use Funds to Reduce Debt.
- Maintain Assets in Good Repair.



- Carefully Consider Capital Purchases & New Debt Obligations.
- Maintain Farm Profitability.
- Invest in Productive, Profitable Assets for the Farm.